



House of Representatives

General Assembly

File No. 293

January Session, 2017

Substitute House Bill No. 7183

House of Representatives, March 29, 2017

The Committee on Insurance and Real Estate reported through REP. SCANLON of the 98th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT LOWERING THE MINIMUM UNIMPAIRED PAID-IN CAPITAL AND SURPLUS REQUIREMENT FOR SPONSORED CAPTIVE INSURANCE COMPANIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (1) of subsection (a) of section 38a-91dd of the
2 general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective July 1, 2017*):

4 (a) (1) The Insurance Commissioner shall not issue a license to a
5 captive insurance company or allow the company to retain such
6 license unless the company has and maintains unimpaired paid-in
7 capital and surplus of:

8 (A) In the case of a pure captive insurance company, not less than
9 two hundred fifty thousand dollars;

10 (B) In the case of an association captive insurance company, not less
11 than five hundred thousand dollars;

12 (C) In the case of an industrial insured captive insurance company,
13 not less than five hundred thousand dollars;

14 (D) In the case of a risk retention group, not less than one million
15 dollars;

16 (E) In the case of a sponsored captive insurance company, not less
17 than [five hundred thousand] two hundred twenty-five thousand
18 dollars;

19 (F) In the case of a special purpose financial captive insurance
20 company, not less than two hundred fifty thousand dollars; and

21 (G) In the case of a sponsored captive insurance company licensed
22 as a special purpose financial captive insurance company, not less than
23 five hundred thousand dollars.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	July 1, 2017	38a-91dd(a)(1)
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INS

Joint Favorable Subst.

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 18 \$	FY 19 \$
Insurance Dept.	GF - Potential Revenue Gain	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

This bill lowers the minimum capital and surplus requirements for captive insurance companies from \$500,000 to \$250,000. To the extent that this change results in more captive insurance companies in Connecticut, the bill may result in a revenue gain to the General Fund due to the following fees and taxes:

1. Non-refundable application fee: \$800
2. Fee for initial license: \$375
3. Annual license renewal: \$375
4. Insurance premium taxes

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future.

OLR Bill Analysis**sHB 7183*****AN ACT LOWERING THE MINIMUM UNIMPAIRED PAID-IN CAPITAL AND SURPLUS REQUIREMENT FOR SPONSORED CAPTIVE INSURANCE COMPANIES.*****SUMMARY**

This bill requires a sponsored captive insurance company, for the purposes of obtaining and retaining a license from the insurance commissioner, to have a minimum capital and surplus of \$225,000, instead of \$500,000 as required under current law.

Generally, a captive insurer is an insurance company or entity formed to insure or reinsure the risk of its owner, parent company, or affiliated company. By law, a sponsored captive is a captive that uses separate “cells” (i.e., accounts) to finance the risk of its participating members, each of whom are protected through individual contracts (see BACKGROUND).

EFFECTIVE DATE: July 1, 2017

BACKGROUND***Sponsored Captive Insurance Company***

A sponsored captive insurance company is a captive insurance company (1) in which the minimum paid-in capital and surplus is provided by one or more sponsors, (2) that insures its participants through separate participant contracts, and (3) that funds its liability to each participant through protected cells, and separates each cell’s assets from the assets of other cells and the captive insurer as a whole.

Capital and Surplus

Connecticut requires capital and surplus to be “unimpaired and paid-in,” which generally consists of the paid-in balance of shares plus

undivided earnings.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 21 Nay 0 (03/15/2017)